Resolution on the definition of SMEs

2018/2545(RSP) - 04/07/2018 - Text adopted by Parliament, single reading

The European Parliament adopted a resolution tabled by the Committee on Industry, Research and Energy on the definition of SMEs.

It began by recalling that the 23 million SMEs in the EU, which make up around 99 % of all businesses, employ almost two thirds of the European working population.

SMEs benefit at EU, Member State, regional and local level from specific support, including financing opportunities and simplified procedures. A stringent SME definition is a **tool that can mitigate market failures** and problems inherent to competition between enterprises that differ in terms of size, volume of assets and business models

Parliament took the view that, the flexibility offered by the Commission recommendation 2003/361/EC concerning the definition of micro, small and medium-sized enterprises **should be maintained,** given the nature of this strategic instrument and the many differences between SMEs and Member States.

Re-evaluation of the SME definition: Members emphasised that an adjustment of the SME definition should always work to the benefit of SMEs and ease their access to public support. Bearing this in mind, they called on the Commission to:

- prevent larger players from attempting to create artificial corporate structures to take advantage of the SME definition, which would lead to a system in which the available support is wrongly and more widely distributed and hence not available to SMEs in need;
- consider updating the SME definition while also taking account of the Commission's economic forecasts regarding **inflation and labour productivity**, so as to obviate the need for any rapid further adjustment over the next few years;
- support the aggregation of undertakings, particularly clusters and business networks, with the aim of promoting the rationalisation of costs and improvements to the exchange of knowledge and expertise.

Parliament also highlighted the importance of the proper acknowledgement of start-ups and of **'micro enterprises' and thus of the acronym MSME**, pointing out that 90 % of EU SMEs and 93 % of all EU companies in the non-financial business sector are micro firms, which employ approximately 30 % of the EU workforce, and thus need special attention.

Members made the following observations:

- the **employee headcount** has become a widely accepted criterion and should remain the main criterion, but turnover and balance sheet totals are also important criteria for the definition;
- the status of SME's in **mergers** should be clarified;
- where start-ups work together with joint ventures, enterprises linked with the joint ventures **should not be taken into account** when assessing the start-up's SME status, provided that it is not an artificial construct and there are no further connections between the start-up and the linked enterprises.

MidCaps: Parliament called on the Commission to consider the establishment of a **separate definition for MidCaps** (enterprises that have outgrown the SME definition but still typically have medium-sized structures), since it felt that the latter do not receive appropriate attention from policy-makers. A separate

definition would enable targeted measures for MidCaps while avoiding the risk of broadening the SME definition to an extent that would be detrimental to its original objectives.

Reporting obligations, statistics, studies and impact assessments: Parliament believed that the future **COSME, FP9 and Structural Funds programmes under the next MFF** should continue to earmark sufficient amounts to support SMEs seeking to innovate and generate employment.

Furthermore, it called on the Commission to:

- conduct a comprehensive study into the possible impact of the SME definition on business development and on 'lock-in effects', i.e. when enterprises deliberately opt not to expand in order to avoid bureaucratic burdens and other obligations that arise from the loss of their SME status;
- conduct a study on the impacts of the definition on **publicly owned enterprises** which are financially independent, or operate under competitive conditions with private companies, noting that having public ownership does not necessarily imply financial or regulatory support by the public entity;
- conduct a feasibility study of sector-specific SME definitions in order to scrutinise the impact of such an approach on these sectors of the economy and the added value generated;
- ensure that the SME impact test which implements the 'Think Small First' principle to be made mandatory for all EU legislative proposals, beyond the Commission's own undertakings.

Guidance for SMEs: lastly, Parliament called for guidance on the procedures used to determine SME status and information about any changes concerning the SME definition or procedures, in a timely and optimal manner.